

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name	County
Fiscal Year End	Opinion Date	Date Audit Report Submitted to State	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES  
NO

**Check each applicable box below.** (See instructions for further detail.)

1. ☐ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☐ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☐ ☐ The local unit has adopted a budget for all required funds.
5. ☐ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☐ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☐ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☐ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☐ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☐ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☐ The local unit is free of repeated comments from previous years.
12. ☐ ☐ The audit opinion is UNQUALIFIED.
13. ☐ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☐ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☐ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input type="checkbox"/>			
The letter of Comments and Recommendations	<input type="checkbox"/>			
Other (Describe)	<input type="checkbox"/>			
Certified Public Accountant (Firm Name)		Telephone Number		
Street Address		City	State	Zip
Authorizing CPA Signature	Printed Name		License Number	

LAPEER HOUSING COMMISSION

Financial Statements

June 30, 2006

Audited by

JOHN C. DIPIERO, P.C.

Certified Public Accountant

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This discussion and analysis of the Lapeer Housing Commission's financial performance should be read in conjunction with the auditor's opinion letter and the financial statements.

### **Entity-Wide Statements**

The combined financial statements show, in one place, all the Commission's operations. Our statements are prepared on the accrual basis of accounting, which is similar to that used by most businesses. Under this method, all revenues and expenses connected with the fiscal year are taken into account even if the cash involved has not actually been received or paid. The Financial Data Schedule included within the audit report contains all the programs of the Commission.

### **Fund Statements**

The Financial Data Schedule reports the Commission's operations in more detail. The Commission reports all its activities using Proprietary Fund types. These funds are used to show activities that operate more like commercial enterprises. The Financial Data Schedule is organized by the government Catalogue of Financial Domestic Assistance (CFDA) numbers.

### **Entity-Wide Financial Highlights**

The Commission was awarded and received the following Federal Assistance:

	<u>Year 2006</u>	<u>Year 2005</u>
Operating Subsidies	\$ 91,529	\$ 82,378
Section 8 Voucher Program	623,097	371,507
Capital Projects Funds	25,395	143,719

Comparison of the current year to the past and discussion of significant changes as follows:

	<u>Year 2006</u>	<u>Year 2005</u>	<u>Net Change</u>
Cash & cash equivalents	\$ 560,146	\$ 473,642	86,504
Accounts Receivable	5,889	13,953	(8,064)
Prepaid Expenses	12,485	12,177	308
Fixed Assets, prior to Depreciation	2,164,362	2,153,261	11,101
Total Liabilities	62,329	427,227	(364,898)
Net Assets	1,442,353	1,082,421	359,932

	<u>Year 2006</u>	<u>Year 2005</u>	<u>Net Change</u>
Revenues:			
Tenant Revenues	184,865	166,850	18,015
HUD Grants	740,021	597,604	142,417
Other Revenues	25,769	11,826	13,943
Expenses:			
Administrative	119,656	126,796	(7,140)
Tenant Services	2,158	210	1,948
Utilities	84,676	76,425	8,251
Maintenance & Operations	102,745	107,772	(5,027)
General Expenses	<u>24,969</u>	<u>21,960</u>	3,009
Total Operating Expenses	<u>334,204</u>	<u>333,163</u>	1,041
Depreciation Expense	83,234	77,613	5,621
Housing Assistance Payments	541,442	290,247	251,195
Other	0	1,364	(1,364)
Net Change in Net Assets	(8,225)	79,314	(87,539)

Our cash position increase primarily from operations; the results of operation before depreciation was \$ 75,009. Our accounts receivable decreased by the amount of reduction in the account receivable Capital fund at year end. Other asset accounts had insignificant changes. Our total liabilities decreased by \$ 364,898; this is a result of the reclassification of the account payable to HUD of \$ 368,157- currently the balance was an adjustment to fund balance. As described in footnote 6 in the audit report, HUD had forwarded funding for an opt out Housing Choice program in the end of fiscal year 2005, but do to timing of the advance, we were unable to lease up the program by year end- we had excess funding of \$ 368,157 which was recorded as an account payable last year. Currently HUD has not instructed us on how to record the excess or whether future funding will be affected; therefore we have made a prior period adjustment until further instructions are received. Our net assets increased as a result of the aforementioned prior period adjustment and the net loss of \$ 8,225.

Tenant revenues increased consistent with increases in social security benefits and other adjustments as a result of ordinary re-examinations. Interest increased as a result of higher interest rates and more cash on hand during the year (excess funding in the Voucher program and results of operations).

HUD grants are a result of requisitioning eligible funds. HUD grants received are a result of calculations under the Performance Funding System, and Capital grants authorized and obligated during the year.

The Commission provided the following housing for low to moderately low income families:

	<u>Year 2006</u>	<u>Year 2005</u>
Low Rent Public Housing	60	60
Housing Assistance Program	122	122

## **General Fund Budgetary Highlights**

The Commission approved an operating budget on April 21, 2005 for the fiscal year ending June 30, 2006, we had no occasion to amend the budget.

Significant differences between budget and actual in the Low Rent Program were as follows:

	<u>Actual</u>	<u>Budget</u>	<u>Difference</u>
Utilities	\$ 84,676	\$ 95,000	\$ (10,324)
Contract Cost	47,473	62,800	(15,327)

The above line items were the result of a mild winter and less overall utility expense and fewer unit renovations than budgeted for; our budgeted profit before depreciation was \$ 19,297, our actual was \$ 38,705.

## **Entity Wide Capital Assets**

The fixed assets increased \$ 11,101 prior to depreciation; we repaired sidewalks, replaced the annunciator display, and other miscellaneous purchases.

## **Commission's Position**

The Commission plans to use the 2006 Capital Fund Program to replace our emergency generator (\$ 22,500), repair the parking lot (\$ 17,500), and to supplement our operating fund (\$ 22,621).

We anticipate current funding levels for operations and capital improvements will remain consistent with past years; therefore, the Commission expects to continue to provide safe, sanitary and decent housing for the low and moderately low income families.

Questions or comments concerning this Management Discussion and Analysis may be directed to:

Sara Coulter, Executive Director  
Lapeer Housing Commission  
544 North Saginaw  
Lapeer Michigan 48446

***John C. DiPiero, P.C.***

Certified Public Accountant

P. O. Box 378  
Hemlock, Michigan 48626  
Tel / Fax (989) 642-2092

Board of Commissioners  
Lapeer Housing Commission  
576 Liberty Park  
Lapeer, Michigan 48446

### **Independent Auditor's Report**

I have audited the Business Type Activities of the Lapeer Housing Commission as of and for the year ended June 30, 2006. These financial statements are the responsibility of the Housing Commission's management. My responsibility is to express an opinion on the financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Lapeer Housing Commission as of June 30, 2006, and the results of its operations and the cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

### **Required Supplemental Information**

The Management's Discussion and Analysis and the required supplemental information are not a required part of the basic financial statements but is supplemental information required by the Governmental Auditing Standards Board. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplemental information. However, I did not audit the information and express no opinion on it.

The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U. S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in my opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

### **Combining Financial Statements**

My audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying Financial Data Schedule is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, if fairly stated in all material respects in relation to the financial statements taken as whole.

Certified Public Accountant

October 30, 2006



LAPEER HOUSING COMMISSION  
Statement of Net Assets  
June 30, 2006

ASSETS

C-3007

CURRENT ASSETS

Cash & Cash Equivalents	\$	560,146	
Accounts Receivable		5,889	
Prepaid Expenses		<u>12,485</u>	
Total Current Assets	\$		578,520

NON CURRENT ASSETS

Land	\$	56,400	
Buildings		1,218,086	
Furniture, Equipment- Dwellings		23,377	
Furniture, Equipment- Administrative		74,861	
Leasehold Improvements		791,638	
Accumulated Depreciation		<u>(1,226,620)</u>	
Total Non Current Assets			<u>937,742</u>

TOTAL ASSETS \$ 1,516,262

LAPEER HOUSING COMMISSION  
Statement of Net Assets  
June 30, 2006

**LIABILITIES**

**C-3007**

CURRENT LIABILITIES

Accounts Payable	\$	13,109
Accrued Wages & Payroll Taxes		13,619
Accounts Payable- Other Government		8,338
Compensated Absences		1,286
Tenants Security Deposit		15,424
Accrued Utilities		<u>10,553</u>

<u>Total Current Liabilities</u>	\$	<u>62,329</u>
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NONCURRENT LIABILITIES

Compensated Absences		<u>11,580</u>
<u>Total Liabilities</u>	\$	<u>73,909</u>

**Net Assets:**

Investment in Fixed Assets		
net of Related Debt	\$	937,742
Unrestricted Net Assets		<u>504,611</u>

<u>Total Net Assets</u>		<u>1,442,353</u>
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<u>TOTAL LIABILITIES &amp; NET ASSETS</u>	\$	<u>1,516,262</u>
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The Accompanying Footnotes are an Integral Part of the Financial Statements.

LAPEER HOUSING COMMISSION  
Combined Statement of Revenues, Expenses, and Changes in Net Assets  
For the year ended June 30, 2006

OPERATING REVENUE

Tenant Rental Revenue	\$	182,209	
Tenant Revenue-Other		2,656	
HUD Grants		734,417	
Interest Income		16,901	
Other Income		<u>8,868</u>	
<u>Total Operating Revenue</u>	\$		945,051

OPERATING EXPENSES

Administrative	\$	119,656	
Tenant Services		2,158	
Utility Expenses		84,676	
Ordinary Maintenance		102,745	
General Expenses		<u>24,969</u>	
<u>Total Operating Expenses</u>			<u>334,204</u>
<u>Operating Income (Loss)</u>	\$		610,847

NONOPERATING REVENUE (EXPENSES)

Housing Assistance Payments	\$	(541,442)	
Depreciation Expenses		<u>(83,234)</u>	
<u>Total NonOperating Revenue (Expenses)</u>			<u>(624,676)</u>
<u>Income (Loss) before Contributions</u>	\$		(13,829)

CAPITAL CONTRIBUTIONS

			<u>5,604</u>
<u>Changes in Net Assets</u>	\$		(8,225)
Total Net Assets- Beginning	\$	1,082,421	
Adjustment of Prior Year Funding- Housing Choice Vouchers		<u>368,157</u>	<u>1,450,578</u>
Total Net Assets- Ending	\$		<u>1,442,353</u>

The Accompanying Notes are an Integral part of the Financial Statements

LAPEER HOUSING COMMISSION  
Combined Statement of Cash Flows  
For the Year Ended June 30, 2006

Business Type Activities

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts from Customers	\$ 184,889
Payments to Suppliers	(752,156)
Payments to Employees	(100,918)
HUD Grants	740,021
Other Receipts (Payments)	<u>25,769</u>
Net Cash Provided (Used) by Operating Activities	\$ 97,605

CASH FLOWS FROM CAPITAL AND  
RELATED FINANCING ACTIVITIES

Purchases of Capital Assets	\$ <u>(11,101)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	\$ 86,504
Cash Balance- Beginning of Year	<u>473,642</u>
Cash Balance- End of Year	\$ <u>560,146</u>

RECONCILIATION OF OPERATING INCOME (LOSS) TO NET  
CASH PROVIDED (USED) BY OPERATING ACTIVITIES

Net Profit or (Loss)	\$ (8,225)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:	
Depreciation	83,234
Changes in Assets (Increase) Decrease:	
Receivables (Gross)	8,064
Prepaid Expenses	(308)
Changes in Liabilities Increase (Decrease):	
Accounts Payable	5,308
Accrued Liabilities	8,986
Accounts Payable-Other Governments	747
Accrued Compensated Absences	(249)
Security Deposits	88
Deferred Revenue	<u>(40)</u>
Net Cash Provided by Operating Activities	\$ <u>97,605</u>

The Accompanying Notes are an Integral part of the Financial Statements

LAPEER HOUSING COMMISSION  
Notes to Financial Statements  
June 30, 2006

NOTE 1: Summary of Significant Accounting Policies

**Reporting Entity-**

Lapeer Housing Commission, Lapeer, Michigan, (Commission) was created by ordinance of the city of Lapeer. The Commission signed and Annual Contributions Contract (ACC) with the U.S. Department of Housing and Urban Development (HUD). The ACC requires the Commission to provide safe, sanitary and decent housing for qualifying senior and low income families.

The Commission consists of the following:

MI 103-001	Low rent program	60 units
MI 103	Section 8 Vouchers	122 units

In determining the reporting entity, the manifestations of oversight, as defined by the Governmental Accounting Standards Board (GASB), Cod. sec 2100, were considered. The criteria include the following:

The nucleus of the financial reporting entity as defined by the Governmental Accounting Standards Board (GASB) Statement No. 14 is the "primary government". A fundamental characteristic of a primary government is that it is a fiscally independent entity. In evaluating how to define the financial reporting entity, management has considered all potential component units. A component unit is legally separate entity for which the primary government is financially accountable. The criterion of financial accountability are the ability of the primary government to impose its will upon the potential component unit. Based on the above criteria, there are no component units.

These criteria were considered in determining the reporting entity.

**Basis of Presentation-**

The accounts of the Commission are organized by the Catalog of Federal Domestic Awards (CFDA) numbers, in the Financial Data Schedule; each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self balancing accounts that comprise its assets, liabilities, net assets, revenues, and expenditures, or expenses, as appropriate. Commission resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

## Notes to Financial Statements- continued

### Proprietary Funds

Enterprise Funds- Enterprise Funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises- where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, management control, accountability, or other purposes.

### Basis of Accounting-

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

Proprietary Funds are accounted for using the accrual basis of accounting. The revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

Prior to October 1, 1999, the Commission followed a basis of accounting consistent with the cognizant agency, the U. S. Department of Housing and Urban Development, HUD. Those practices differed from Generally Accepted Accounting Principals (GAAP); however, for all fiscal years beginning on or after October 1, 1999, HUD has required adherence to GAAP. Therefore, the current and future financial presentations will follow GAAP and the Financial Accounting Standards Board (FASB) pronouncements issued subsequent to November 30, 1989, provided they do not conflict with the Governmental Accounting Standards (GASB) pronouncements.

### Budgetary data-

Formal budgetary integration is employed as a management control device during the year in proprietary type funds. Budgets for funds are adopted on a basis consistent with generally accepted accounting principles (GAAP) for that fund type. The Commission adopts a budget annually, and amends the budgets as it feels necessary in order to maintain financial integrity.

### Assets, Liabilities, and Net Assets-

#### Deposits & Investments

Deposits are stated at cost; the carrying amount of deposits is separately displayed on the balance sheet as cash and cash equivalents; investments are stated at cost which approximates market.

Notes to Financial Statements- continued

Cash Equivalents

Cash Equivalents represent investments purchased with a three month maturity or less; investments meeting this criteria are reclassified for financial statement purposes as cash.

Fixed Assets

The accounting and reporting treatment applied to the fixed assets are determined by its measurement focus. All proprietary funds are accounted for on a cost of services or "capital maintenance" measurement focus. This means that all assets and all liabilities (whether current or non-current) associated with their activity are included on their balance sheets. Their reported fund equity (net total assets) is reported as Invested in Capital Assets, Net of Related Debt.

Depreciation of all exhaustible fixed assets used by proprietary funds is charged as an expense against their operations; depreciation has been provided over the estimated useful lives using the straight line method. The estimated useful lives are as follows:

Buildings and Improvements	40 years
Equipment	3-10 years

Compensated Absences

Sick leave and other compensated absences with similar characteristics have been accrued as a liability. The amount accrued was based on the probability that the Commission will compensate the employees for the benefits through cash payments as a condition of the employees' termination or retirement.

Note 2: Cash and Investments.

The composition of cash and investments are as follows:

Cash:

General Fund Checking Accounts	\$ 78,667
Money Market Fund	427,379
Petty Cash	<u>100</u>
Financial Statement Total	<u>\$ 506,146</u>

Notes to Financial Statements- continued

Generally the Commission classifies cash and investments with the following risk assumptions:

- 1) Insured or registered in the Commission's name.
- 2) Uninsured or unregistered, held by a broker in the Commission's name.
- 3) Uninsured or unregistered, held by a broker not in the Commission's name.

	<u>Categories</u>			<u>Carrying Amount</u>	<u>Market Value</u>
	<u>1</u>	<u>2</u>	<u>3</u>		
Cash:					
Checking A/C's	\$ 78,667	\$	\$	\$ 78,667	\$ 78,667
Money Market A/C's	427,379			427,379	427,379
Petty Cash	<u>100</u>			<u>100</u>	<u>100</u>
Total Cash	\$ <u>560,146</u>	\$	\$	\$ <u>560,146</u>	\$ <u>560,146</u>

In addition to the above analysis, the Commission has adopted an investment policy as required by P.A. 196 of 1997; Michigan Compiled Law 129.95.

Note 3: Accounts Receivable

Accounts Receivable consist of the following:

Accounts Receivable- Tenants	\$ 13
Accounts Receivable- HUD	<u>5,876</u>
	\$ <u>5,889</u>

Note 4: Prepaid Expenses

Prepaid expenses consists of unexpired insurance premiums.

Note 5: Fixed Asset Analysis.

The following represents the changes in fixed assets for the year:

	<u>Beginning of Year</u>	<u>Additions</u>	<u>Deletions</u>	<u>End of Year</u>
Land	\$ 56,400	\$	\$	\$ 56,400
Buildings	1,218,086			1,218,086
Furniture & Equipment-Dwellings	22,836	541		23,377
Furniture & Equipment-Admin	69,905	4,956		74,861
Leasehold Improvements	<u>786,034</u>	<u>5,604</u>		<u>791,638</u>
	\$ 2,153,261	\$ 11,101	\$	\$ 2,164,362
Less Accumulated Depreciation	<u>1,143,386</u>	<u>83,234</u>		<u>1,226,620</u>
	\$ <u>1,009,875</u>	\$ <u>(72,133)</u>	\$	\$ <u>937,742</u>



Notes to Financial Statements- continued

Note 6: Prior year adjustment-HUD Funding of Section 8 Program

The Section 8 Voucher Program was advanced \$ 368,157 for the development of newly acquired voucher opt out program at the end of the last fiscal year; however, the funding was not timely to fill the new vouchers. However, due to changes in the reporting and year end settlement requirements established by HUD, no reconciliation is required, therefore, the funds may belong to the Commission and not be due to HUD; the ultimate funding of the Section 8 program and resolution of the advance are unknown at this time. The Commission has been in communication with HUD concerning the lease-up, funding, and future funding of the opt out program; to date, no resolution of these issues have been offered by HUD>

Note 7: Pension Plan

The Commission participates in the City of Lapeer pension plan; however, at the time of the audit, no Commission employees were eligible for the plan.

Note 8: Reclassifications.

Certain prior years' balances have been reclassified to conform to the current year's presentation.

Note 9: Combining Financial Data Schedules.

The totals in the combining Balance Sheet and Combining Income Statement represent unconsolidated totals. Under principals of consolidation, inter fund transactions would be eliminated; the totals in the combined statements follow the financial data schedule format recommended by the U.S. Department of Housing and Urban Development's Real Estate Assessment Center (REAC).

Note 10: Risk Management

The Commission is exposed to various risks of loss related to property loss, torts, error and omissions and employee injuries. The Commission purchases commercial insurance to cover the risks of these losses. The Commission had the following insurance in effect during the year:

<u>Types of Policies</u>	<u>Coverage's</u>
Property	\$ 6,580,000
General Liability	1,000,000
Errors & Omissions	1,000,000
Automobile	1,000,000
Worker's Compensation and other riders:	
Coverage's required by the State of Michigan	

## Lapeer Housing Commission

30-Jun-06

MI100

Combining Balance Sheet		Low Rent 14.850	Section 8 Housing Choice Voucher Program 14.871	Capital Projects Funds 14.872	TOTAL
Line Item #					
	<b>ASSETS:</b>				
	<b>CURRENT ASSETS:</b>				
	Cash:				
111	Cash - unrestricted	125,251	434,895	-	560,146
112	Cash - restricted - modernization and developmen	-			-
113	Cash - other restricted				-
114	Cash - tenant security deposits				-
100	Total cash	125,251	434,895	-	560,146
	Accounts and notes receivables:				
121	Accounts receivable - PHA projects				-
122	Accounts receivable - HUD other projects	-	-	5,876	5,876
124	Accounts receivable - other government				-
125	Accounts receivable - miscellaneous				-
126	Accounts receivable- tenants - dwelling rents	13			13
126.1	Allowance for doubtful accounts - dwelling rents				-
126.2	Allowance for doubtful accounts - other				-
127	Notes and mortgages receivable- curren				-
128	Fraud recovery				-
128.1	Allowance for doubtful accounts - fraud				-
129	Accrued interest receivable				-
120	Total receivables, net of allowances for doubtful account	13	-	5,876	5,889
	Current investments				-
131	Investments - unrestricted	-			-
132	Investments - restricted				-
142	Prepaid expenses and other assets	12,485			12,485
143	Inventories				-
143.1	Allowance for obsolete inventories				-
144	Interprogram - due from	24,051	-	-	24,051
146	Amounts to be provided				-
150	TOTAL CURRENT ASSETS	161,800	434,895	5,876	602,571
	<b>NONCURRENT ASSETS:</b>				
	Fixed assets:				
161	Land	56,400			56,400
162	Buildings	1,218,086			1,218,086
163	Furniture, equipment & machinery - dwellings	23,377	-	-	23,377
164	Furniture, equipment & machinery - admininstrator	70,839	4,022	-	74,861
165	Leasehold improvements	772,118		19,520	791,638
166	Accumulated depreciation	(1,225,600)	-	(1,020)	(1,226,620)
160	Total fixed assets, net of accumulated depreciator	915,220	4,022	18,500	937,742
171	Notes and mortgages receivable - non-curren				-
172	Notes and mortgages receivable-non-current-past due				-
174	Other assets				-
175	Undistributed debits				-
176	Investment in joint ventures				-
180	TOTAL NONCURRENT ASSETS	915,220	4,022	18,500	937,742
190	<b>TOTAL ASSETS</b>	1,077,020	438,917	24,376	1,540,313

	<b>LIABILITIES AND EQUITY:</b>				
	<b>LIABILITIES:</b>				
	<b>CURRENT LIABILITIES</b>				
311	Bank overdraft				-
312	Accounts payable ≤ 90 days	7,527	1,162		8,689
313	Accounts payable > 90 days past due		4,420		4,420
321	Accrued wage/payroll taxes payable	13,619	-		13,619
322	Accrued compensated absences	1,286			1,286
324	Accrued contingency liability				-
325	Accrued interest payable				-
331	Accounts payable - HUD PHA programs		-		-
332	Accounts Payable - PHA Projects				
333	Accounts payable - other government	8,338	-	-	8,338
341	Tenant security deposits	15,424			15,424
342	Deferred revenues	-	-		-
343	Current portion of Long-Term debt - capital projects				-
344	Current portion of Long-Term debt - operating borrowings	-			-
345	Other current liabilities	10,553			10,553
346	Accrued liabilities - other	-			-
347	Inter-program - due to	-	18,175	5,876	24,051
310	<b>TOTAL CURRENT LIABILITIES</b>	<b>56,747</b>	<b>23,757</b>	<b>5,876</b>	<b>86,380</b>
	<b>NONCURRENT LIABILITIES:</b>				
351	Long-term debt, net of current- capital projects				-
352	Long-term debt, net of current- operating borrowings				-
353	Noncurrent liabilities- other	-			-
354	Accr. Comp. Absences- non current	11,580			11,580
350	<b>TOTAL NONCURRENT LIABILITIES</b>	<b>11,580</b>	<b>-</b>	<b>-</b>	<b>11,580</b>
300	<b>TOTAL LIABILITIES</b>	<b>68,327</b>	<b>23,757</b>	<b>5,876</b>	<b>97,960</b>
	<b>EQUITY:</b>				
501	Investment in general fixed assets				-
	<b>Contributed Capital:</b>				
502	Project notes (HUD)	-			-
503	Long-term debt - HUD guaranteed	-			-
504	Net HUD PHA contributions	-			-
505	Other HUD contributions				-
507	Other contributions	-			-
508	Total Contributed Capital	-	-	-	-
508.1	Invested in Capital Assets, Net of Related Debt	915,220	4,022	18,500	937,742
	<b>Reserved fund balance:</b>				
509	Reserved for operating activities				-
510	Reserved for capital activities				-
511	Total reserved fund balance	-	-	-	-
512	Undesignated fund balance/retained earnings	-	-	-	-
512.1	Unrestricted Net Assets	93,473	411,138		504,611
513	<b>TOTAL EQUITY</b>	<b>1,008,693</b>	<b>415,160</b>	<b>18,500</b>	<b>1,442,353</b>
600	<b>TOTAL LIABILITIES AND EQUITY</b>	<b>1,077,020</b>	<b>438,917</b>	<b>24,376</b>	<b>1,540,313</b>

- - - -

## Lapeer Housing Commission

30-Jun-06

MI100

	Combining Income Statement	Low Rent 14.850	Section 8 Housing Choice Voucher Program 14.871	Capital Projects Funds 14.872	TOTAL
Line Item #				-	
	<b>REVENUE:</b>	-	-		
703	Net tenant rental revenue	182,209			182,209
704	Tenant revenue - other	2,656			2,656
705	Total tenant revenue	184,865	-	-	184,865
706	HUD PHA grants	91,529	623,097	25,395	740,021
708	Other government grants				-
711	Investment income - unrestricted	3,439	13,462	-	16,901
712	Mortgage interest income				-
714	Fraud recovery				-
715	Other revenue	8,868	-	-	8,868
716	Gain or loss on the sale of fixed assets	-			-
720	Investment income - restrictec				-
700	<b>TOTAL REVENUE</b>	288,701	636,559	25,395	950,655
	<b>EXPENSES:</b>				
	Administrative				
911	Administrative salaries	24,733	43,648	-	68,381
912	Auditing fees	3,350	-		3,350
913	Outside management fees	-			-
914	Compensated absences	250			250
915	Employee benefit contributions- administrative	6,352	13,000	-	19,352
916	Other operating- administrative	20,554	7,769	-	28,323
	Tenant services				
921	Tenant services - salaries				-
922	Relocation costs	-			-
923	Employee benefit contributions- tenant services				-
924	Tenant services - other	2,158			2,158
	Utilities				
931	Water	17,668			17,668
932	Electricity	36,498			36,498
933	Gas	30,510			30,510
934	Fuel				-
935	Labor				-
937	Employee benefit contributions- utilities				-
938	Other utilities expense	-			-
	Ordinary maintenance & operation				
941	Ordinary maintenance and operations - labor	32,537			32,537
942	Ordinary maintenance and operations - materials & other	14,044		-	14,044
943	Ordinary maintenance and operations - contract costs	47,473		272	47,745
945	Employee benefit contributions- ordinary maintenance	8,419			8,419
	Protective services				
951	Protective services - labor				-

952	Protective services- other contract costs				-
953	Protective services - other				-
955	Employee benefit contributions- protective services				-
	General expenses				
961	Insurance premiums	16,631			16,631
962	Other General Expenses	-			
963	Payments in lieu of taxes	8,338			8,338
964	Bad debt - tenant rents				-
965	Bad debt- mortgages				-
966	Bad debt - other				-
967	Interest expense				-
968	Severance expense	-			-
969	<b>TOTAL OPERATING EXPENSES</b>	269,515	64,417	272	334,204
970	<b>EXCESS OPERATING REVENUE OVER OPERATING EXPENSES</b>	19,186	572,142	25,123	616,451
971	Extraordinary maintenance	-			-
972	Casualty losses - non-capitalized	-			-
973	Housing assistance payments	-	541,442	-	541,442
974	Depreciation expense	82,306		928	83,234
975	Fraud losses				-
976	Capital outlays- governmental funds	-			-
977	Debt principal payment- governmental funds				-
978	Dwelling units rent expense				-
900	<b>TOTAL EXPENSES</b>	351,821	605,859	1,200	958,880
	<b>OTHER FINANCING SOURCES (USES)</b>				
1001	Operating transfers in (out)	19,519		(19,519)	-
1002	Operating transfers out	-		-	-
1003	Operating transfers from/to primary government			-	-
1004	Operating transfers from/to component unit				-
1005	Proceeds from notes, loans and bonds				-
1006	Proceeds from property sales				-
1010	<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	19,519	-	(19,519)	-
1000	<b>EXCESS (DEFICIENCY) OF TOTAL REVENUE OVER (UNDER) TOTAL EXPENSES</b>	(43,601)	30,700	4,676	(8,225)

LAPEER HOUSING COMMISSION  
Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2006

U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT

Direct Programs:

	<u>Annual Program Expenditures</u>
<u>CFDA 14.850 Public and Indian Housing</u>	
C-3007 Operating Subsidies	\$ <u>91,529</u>
* <u>CFDA 14.855 Housing Assistance Programs</u>	
C-3007 Section 8 Housing Choice Vouchers	\$ <u>623,097</u>
<u>CFDA 14.872 Capital Projects Grants</u>	
C-3007 Capital Projects Funds	\$ <u>25,395</u>
	\$ <u>740,021</u>

\*Connotes Major Program Category

Significant Account Policies

The accounting policies of the Commission conform to generally accepted accounting principles as applicable to governmental proprietary funds. The financial statements contained in the Commission's annual audit report are prepared on the accrual basis of accounting; revenues are recognized when earned, expenses are recorded when the related services or product are received.

Risk management

The Commission is exposed to various risks of loss related to property loss, torts, error and omissions and employee injuries. The Commission purchases commercial insurance to cover the risks of these losses. The Commission had the following insurance in effect during the year:

<u>Types of Policies</u>	<u>Coverage's</u>
Property	\$ 6,580,000
General Liability	1,000,000
Dishonesty Bond	1,000,000
Worker's Compensation and other riders:	
minimum coverage's required by the State of Michigan	

LAPEER HOUSING COMMISSION  
Status of Prior Audit Findings  
June 30, 2006

The prior audit of the Lapeer Housing Commission for the period ended June 30, 2005, did not contain any audit findings.

LAPEER HOUSING COMMISSION  
Report on Compliance with Requirements  
Applicable to Each Major Program  
and on Internal Control over Compliance in  
Accordance with OMB Circular A-133  
June 30, 2006

Compliance

I have audited the compliance of Lapeer Housing Commission with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2006. Lapeer Housing Commission's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Lapeer Housing Commission's management. My responsibility is to express an opinion on Lapeer Housing Commission's compliance based on my audit.

I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Lapeer Housing Commission's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination of Lapeer Housing Commission's compliance with those requirements.

In my opinion, except for the following, Lapeer Housing Commission complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2006. However, the results of my auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs:

Low Rent Public Housing:

<u>Finding</u>	<u>Audit Number</u>	<u>Compliance Requirements</u>
Lease Discrepancies	03-1	Eligibility



## Internal Control over Compliance

The management of Lapeer Housing Commission entity is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing my audit, I considered Lapeer Housing Commission's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine my auditing procedures for the purpose of expressing my opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

My consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control over compliance and its operation that I consider to be material weaknesses.

This report is intended solely for the information and use of management and the U. S. Department of Housing and Urban Development and is not intended to be and should not be used by anyone other than these specified parties.

Certified Public Accountant

October 30, 2006

LAPEER HOUSING COMMISSION  
Report on Compliance and on Internal Control over  
Financial Reporting Based on an Audit of Financial  
Statements Performed in Accordance with  
*Government Auditing Standards*  
June 30, 2006

I have audited the financial statements of Lapeer Housing Commission, Lapeer, Michigan, as of and for the year ended June 30, 2006, and have issued my report thereon dated October 30, 2006. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Lapeer Housing Commission's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs: finding 06-1.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered Lapeer Housing Commission's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control over financial reporting. I did not note any matters relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in my judgement, could adversely affect Lapeer Housing Commission's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, I believe no reportable conditions or material weaknesses exist.

This report is intended solely for the information and use of management and the U. S. Department of Housing and Urban Development and is not intended to be and should not be used by anyone other than these specified parties.

Certified Public Accountant

October 30, 2006

1) Summary of Auditor's Results:

	<u>Major Program</u>	<u>Non Major Program</u>
Low income Public Housing		X
Housing Choice Voucher Program	X	
Capital Projects Funds		X

General Purpose Financial Statements-

Unqualified

Material weakness(es) noted	Yes	X	No
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Reportable condition(s) noted	Yes	X	No
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Non Compliance material to financial statements noted	Yes	X	No
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Report on compliance for Federal programs-

Qualified

Material weakness(es) noted	Yes	X	No
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Reportable condition(s) noted	X	Yes	No
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Non Compliance material to financial statements noted	Yes	X	No
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Thresholds:

Dollar limit used to determine type A & B programs- \$ 300,000

<u>Name of Federal Program</u>	<u>Major Program</u>	<u>Questioned Costs</u>	<u>Audit Finding Number</u>
Low Rent Program	No	None	06-1
Housing Choice Voucher Program	Yes	None	N/A
Capital Fund Program	No	None	N/A

LAPEER HOUSING COMMISSION  
Schedule of Findings, Recommendations and Replies  
June 30, 2006

The following finding of the Lapeer Housing Commission, for the year ended June 30, 2006<sup>4</sup>, were discussed with the Executive Director, Ms. Sara Coulter, in an exit interview conducted October 30, 2006.

Finding 06-01 Low Rent Housing Program, Lease Discrepancy

During the review of files, the lease is based on a month to month renew; HUD requires leases be annual.

Recommendation

The Commission needs to change future leases to renew annually, as required by HUD.

Reply

Lapeer Housing Commission has reviewed the HUD regulation and made the appropriate changes to the current lease to include a one year term limit; eliminating the month to month statement.